

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NO. 00-0802**

**REBUTTAL TESTIMONY**

**OF**

**PHILIP B. DIFANI, JR.**

**Submitted On Behalf**

**Of**

**UNION ELECTRIC COMPANY**

**d/b/a AmerenUE**

**AND**

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY**

**d/b/a AmerenCIPS**

**May 18, 2001**

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**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AmerenCIPS**

**1. Q. Please state your name and business address.**

**A.** My name is Philip B. Difani, Jr. My business address is 1901 Chouteau Avenue,  
St. Louis, Missouri 63103.

**2. Q. By whom are you employed and in what capacity?**

**A.** I am employed by Ameren Services Company as an Engineer in the Rate  
Engineering Department of Corporate Planning. As part of my job, I provide rate  
engineering services to Central Illinois Public Service Company, which is now  
doing business as AmerenCIPS ("AmerenCIPS"), and to Union Electric  
Company, which is now doing business as AmerenUE ("AmerenUE").

21     **3.     Q.     Are you the same Phillip B. Difani, Jr. who submitted direct testimony on**  
22                   **December 15, 2000 in this case?**

23           **A.**     Yes, I am.  
24

25     **4.     Q.     What is the purpose of your rebuttal testimony in this proceeding?**

26           **A.**     The purpose of my rebuttal testimony is as follows: 1) to provide comments  
27                   regarding the direct testimony filed by Illinois Commission staff witness Peter  
28                   Lazare; 2) to submit corrections to Mr. Lazare's SBO cost-of-service studies  
29                   (COSS); and 3) as recommended in the direct testimony of staff witness Mike  
30                   Luth, to file COSS studies for updated metering credits for AmerenCIPS and  
31                   AmerenUE.  
32

33     **5.     Q.     Do you agree with the criticisms of Mr. Mill concerning Mr. Lazare's**  
34                   **testimony?**

35           **A.**     Yes, I do. Furthermore, I believe additional explanation is necessary and  
36                   corrective action is required before SBO credits can be determined.  
37

38     **6.     Q.     Did you review Mr. Lazare's testimony and workpapers and compare them**  
39                   **to the COSS studies prepared by the Commission's cost-of-service witness,**  
40                   **Mr. Luth?**

41           **A.**     Yes, I did. As stated in his testimony, Mr. Lazare adopted the Company's COSS  
42                   methodology, a portion of which is at issue in the testimony of Mr. Luth. With  
43                   regard to the allocation of the Company's investment in plant, a significant issue

concerning the SBO COSS is the proper allocation of General Plant to the individual customer classes. Mr. Luth uses the Commission approved class distribution plant methodology from the Company's previous case (Docket No. 99-0121) to allocate General Plant. Mr. Lazare adopts the Company's labor ratio approach.

**7. Q. Please explain why this inconsistency creates an issue in the determination of the SBO costs for AmerenUE.**

**A.** This inconsistency creates different allocations of General Plant to be used in the calculation of the SBO costs. If the Commission accepts Mr. Luth's allocation methodology, we recommend that the Commission also adopt this same methodology in the determination of SBO credits. Any departure from this consistent approach should be justified by additional data, evidence, or analysis that produces more accurate cost allocations.

**8. Q. Does this inconsistency create a comparable problem in the SBO costs for AmerenCIPS?**

**A.** No, this is not a concern for AmerenCIPS because, as described by Mr. Mill AmerenCIPS has no billing costs associated in its General Plant. AmerenCIPS is allocated its share of these billing costs as rent in its A&G accounts.

65     **9.     Q.     What other concerns do you have concerning Mr. Lazare's methodology?**

66             **A.**     Mr. Lazare's allocation of FERC accounts 901 (Customer Records and Collection  
67                     – Supervision) and 905 (Customer Records and Collection – Miscellaneous) does  
68                     not appropriately allocate these costs on a labor basis. In fact, Mr. Lazare's  
69                     methodology allocates 500% to 1500% more expense to FERC 901 "Other" than  
70                     was actually recorded on each Company's books in the original studies.  
71

72     **10.    Q.     Have you prepared a COSS for SBO costs?**

73             **A.**     Yes, I have. These are attached as Ameren Exhibit Nos. 17.1 and 17.2 for  
74                     AmerenCIPS and AmerenUE, respectively. The results of these embedded cost  
75                     studies indicate SBO costs (ignoring EDI costs) of \$0.47 per month for  
76                     AmerenCIPS and \$0.43 per month for AmerenUE. These amounts are uniform  
77                     throughout the classes, because they primarily constitute remittance processing  
78                     and postage costs. The SBO related costs are based on a envelope or individual  
79                     customer basis, and should not include the proportionally higher labor costs  
80                     associated with record keeping of demand metered customers, which is not a SBO  
81                     related activity.  
82

83     **11.    Q.     Have you also prepared the meter unbundling COSS for this Docket? Please**  
84                     **elaborate.**

85             **A.**     Based on a jurisdictional meter unbundling study provided by Mr. Weiss, I have  
86                     prepared COSS for metering for AmerenCIPS and AmerenUE. The results of  
87                     these embedded COSS studies are attached as Exhibit Nos. 17.3 and 17.4. These

88 studies follow the same cost allocation ordered in the metering unbundling cases,  
89 Docket No. 99-0013.

90

91 **12. Q. Does this conclude your rebuttal testimony?**

92 A Yes, it does.

93

AMEREN EXHIBIT NO. 17.1

[illegible]

AMERENUE  
SBO COST OF SERVICE ALLOCATION STUDY  
YEAR: 12 MONTHS ENDED DECEMBER 31, 1999

TITLE: SUMMARY	ALLOCATION BASIS	UE SBO	DS-1	DS-2	DS-3	DS-4	DS-4 (HV)	DS-4 (HV-2)
1 BASE REVENUE		\$321	\$283	\$36	\$1	\$0	\$0	\$0
2 OTHER REVENUE		\$0	\$0	\$0	\$0	\$0	\$0	\$0
3 OTHER RENTS-IL. ONLY		\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 OTHER RENTS - IL. ONLY		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
5								
6 TOTAL OPERATING REVENUE		\$321	\$283	\$36	\$1	\$0	\$0	\$0
7								
8								
9 TOTAL DISTRIBUTION, CUSTOMER, AND A&G EXPENSES		\$302	\$266	\$34	\$1	\$0	\$0	\$0
10 TOTAL DEPRECIATION AND AMMORTIZATION EXPENSES		\$6	\$6	\$1	\$0	\$0	\$0	\$0
11 REAL ESTATE AND PROPERTY TAXES		\$3	\$3	\$0	\$0	\$0	\$0	\$0
12 INCOME TAXES		\$2	\$2	\$0	\$0	\$0	\$0	\$0
13 PAYROLL TAXES		<u>\$3</u>	<u>\$3</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
14								
15 TOTAL OPERATING EXPENSES		\$317	\$279	\$36	\$1	\$0	\$0	\$0
16								
17 NET OPERATING INCOME		\$5	\$4	\$1	\$0	\$0	\$0	\$0
18								
19								
20 GROSS PLANT IN SERVICE		\$64	\$56	\$7	\$0	\$0	\$0	\$0
21 RESERVES FOR DEPRECIATION		<u>\$16</u>	<u>\$14</u>	<u>\$2</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
22								
23 NET PLANT IN SERVICE		48	42	5	0	0	0	0
24								
25								
26 MATERIALS & SUPPLIES - FUEL		\$0	\$0	\$0	\$0	\$0	\$0	\$0
27 MATERIALS & SUPPLIES -LOCAL		\$0	\$0	\$0	\$0	\$0	\$0	\$0
28 CASH WORKING CAPITAL		\$0	\$0	\$0	\$0	\$0	\$0	\$0
29 CUSTOMER ADVANCES & DEPOSITS		\$0	\$0	\$0	\$0	\$0	\$0	\$0
30 ACCUMULATED DEFERRED INCOME TAXES		<u>(\$5)</u>	<u>(\$4)</u>	<u>(\$1)</u>	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>
31								
32 TOTAL NET ORIGINAL COST RATE BASE		\$43	\$38	\$5	\$0	\$0	\$0	\$0
33 RATE OF RETURN		10.811%	10.811%	10.811%	10.811%	10.811%	10.811%	10.811%
34								
35 SBO Credit			\$0.43	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43

AMERENCIPS

Ameren Exhibit No. 17.3

DELIVERY SERVICES COST OF SERVICE ALLOCATION STUDY

YEAR: 12 MONTHS ENDED DECEMBER 31, 1999

TITLE: SUMMARY	ALLOCATION BASIS	CIPS TOTAL	DS-1	DS-2(sec.)	DS-2(pri.)	DS-3(sec.)	DS-3(pri.)	DS-3(HV)	LTG.	SP. Contract
1 BASE REVENUE		\$12,375	\$8,510	\$2,293	\$36	\$1,340	\$180	\$14	\$0	\$2
2 OTHER REVENUE		\$342	\$232	\$79	\$2	\$23	\$5	\$0	\$0	\$0
3 OTHER RENTS-IL. ONLY		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 OTHER RENTS - IL. ONLY		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5										
6 TOTAL OPERATING REVENUE		\$12,717	\$8,742	\$2,373	\$37	\$1,363	\$186	\$15	\$0	\$2
7										
8										
9 TOTAL DISTRIBUTION, CUSTOMER, AND A&G EXPENSES		\$8,077	\$5,589	\$1,312	\$17	\$1,035	\$114	\$9	\$0	\$1
10 TOTAL DEPRECIATION AND AMMORTIZATION EXPENSES		\$1,667	\$1,132	\$387	\$7	\$113	\$26	\$2	\$0	\$0
11 REAL ESTATE AND PROPERTY TAXES		\$97	\$66	\$23	\$0	\$7	\$2	\$0	\$0	\$0
12 INCOME TAXES		\$935	\$635	\$217	\$4	\$63	\$14	\$1	\$0	\$0
13 PAYROLL TAXES		\$257	\$177	\$43	\$1	\$32	\$4	\$0	\$0	\$0
14										
15 TOTAL OPERATING EXPENSES		\$11,033	\$7,599	\$1,982	\$30	\$1,249	\$159	\$13	\$0	\$2
16										
17 NET OPERATING INCOME		\$1,684	\$1,143	\$391	\$8	\$114	\$26	\$2	\$0	\$0
18										
19										
20 GROSS PLANT IN SERVICE		\$30,179	\$20,493	\$7,004	\$135	\$2,037	\$467	\$37	\$0	\$5
21 RESERVES FOR DEPRECIATION		\$10,010	\$6,797	\$2,323	\$45	\$676	\$155	\$12	\$0	\$1
22										
23 NET PLANT IN SERVICE		20,169	13,696	4,681	90	1,362	312	25	0	3
24										
25										
26 DEFERRED BENEFITS		\$232	\$158	\$54	\$1	\$16	\$4	\$0	\$0	\$0
27 MATERIALS & SUPPLIES -LOCAL		\$266	\$181	\$62	\$1	\$18	\$4	\$0	\$0	\$0
28 CASH WORKING CAPITAL		\$54	\$37	\$13	\$0	\$4	\$1	\$0	\$0	\$0
29 CUSTOMER ADVANCES & DEPOSITS		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30 ACCUMULATED DEFERRED INCOME TAXES		(\$3,445)	(\$2,339)	(\$800)	(\$15)	(\$233)	(\$53)	(\$4)	\$0	(\$1)
31										
32 TOTAL NET ORIGINAL COST RATE BASE		\$17,276	\$11,731	\$4,010	\$77	\$1,166	\$267	\$21	\$0	\$3
33 RATE OF RETURN		9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%		9.75%
34 Number of Bills			3317340	492420	1176	64032	3684	216		12
35										
36 Metering Credit			\$2.57	\$4.66	\$30.28	\$20.93	\$48.93	\$66.52		\$149.40

AMERENUE

Ameren Exhibit No. 17.4

DELIVERY SERVICES COST OF SERVICE ALLOCATION STUDY

YEAR: 12 MONTHS ENDED DECEMBER 31, 1999

TITLE:	=====	ALLOCATION	UE	DS-1	DS-2	DS-3	DS-4
	SUMMARY	<u>BASIS</u>	<u>TOTAL</u>				
1	BASE REVENUE		\$2,578	\$2,059	\$424	\$45	\$48
2	OTHER REVENUE		\$0	\$0	\$0	\$0	\$0
3	OTHER RENTS-IL. ONLY		\$0	\$0	\$0	\$0	\$0
4	OTHER RENTS - IL. ONLY		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
5							
6	TOTAL OPERATING REVENUE		\$2,578	\$2,059	\$424	\$45	\$48
7							
8							
9	TOTAL DISTRIBUTION, CUSTOMER, AND A&G EXPENSES		\$1,424	\$1,206	\$189	\$15	\$13
10	TOTAL DEPRECIATION AND AMMORTIZATION EXPENSES		\$272	\$201	\$56	\$7	\$8
11	REAL ESTATE AND PROPERTY TAXES		\$68	\$50	\$14	\$2	\$2
12	INCOME TAXES		\$310	\$229	\$63	\$8	\$10
13	PAYROLL TAXES		<u>\$31</u>	<u>\$25</u>	<u>\$5</u>	<u>\$0</u>	<u>\$0</u>
14							
15	TOTAL OPERATING EXPENSES		\$2,105	\$1,710	\$327	\$32	\$33
16							
17	NET OPERATING INCOME		\$473	\$349	\$97	\$12	\$15
18							
19							
20	GROSS PLANT IN SERVICE		\$7,180	\$5,295	\$1,467	\$187	\$223
21	RESERVES FOR DEPRECIATION		<u>\$2,312</u>	<u>\$1,705</u>	<u>\$472</u>	<u>\$60</u>	<u>\$72</u>
22							
23	NET PLANT IN SERVICE		4,868	3,590	995	127	151
24							
25							
26	MATERIALS & SUPPLIES - FUEL		\$0	\$0	\$0	\$0	\$0
27	MATERIALS & SUPPLIES -LOCAL		\$70	\$52	\$14	\$2	\$2
28	CASH WORKING CAPITAL		\$0	\$0	\$0	\$0	\$0
29	CUSTOMER ADVANCES & DEPOSITS		\$0	\$0	\$0	\$0	\$0
30	ACCUMULATED DEFERRED INCOME TAXES		<u>(\$564)</u>	<u>(\$416)</u>	<u>(\$115)</u>	<u>(\$15)</u>	<u>(\$18)</u>
31							
32	TOTAL NET ORIGINAL COST RATE BASE		\$4,374	\$3,226	\$894	\$114	\$136
33	RATE OF RETURN		10.811%	10.811%	10.811%	10.811%	10.811%
34	Number of Bills			650688	83820	3264	780
35							
36	METERING CREDIT			\$3.16	\$5.06	\$13.74	\$61.38